

Sumner Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2006

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**Sumner Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2005 Election)**

Roger Shaffer	President	2006
Dennis Baier	Vice President	2005
Diane Boltz	Board Member	2007
Thomas Miller	Board Member	2007
Chris Brinkopf	Board Member	2006

**Board of Education**

**(After September 2005 Election)**

Roger Shaffer	President	2006
Dennis Baier	Vice President	2008
Diane Boltz	Board Member	2007
Thomas Miller	Board Member	2007
Chris Brinkopf	Board Member	2006

**School Officials**

Rick Pederson	Superintendent	2006
Beverly Weidemann	District Secretary/Business Manager	2006
John Tremaine	Attorney	2006

## Independent Auditor's Report

To the Board of Education of  
Sumner Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner Community School District, Sumner, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 8, 2006 on my consideration of Sumner Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sumner Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

August 8, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Sumner Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,402,590 in fiscal 2005 to \$5,430,755 in fiscal 2006, and General Fund expenditures increased from \$5,449,203 in fiscal 2005 to \$5,535,020 in fiscal 2006. The District's General Fund balance decreased from \$1,313,136 in fiscal year 2005 to \$1,204,301 in fiscal year 2006, an 8.3% decrease.
- The District's solvency ratio has decreased from 23.4% at June 30, 2005 to 20.4% at June 30, 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sumner Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sumner Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sumner Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Sumner Community School District Annual Financial Report**

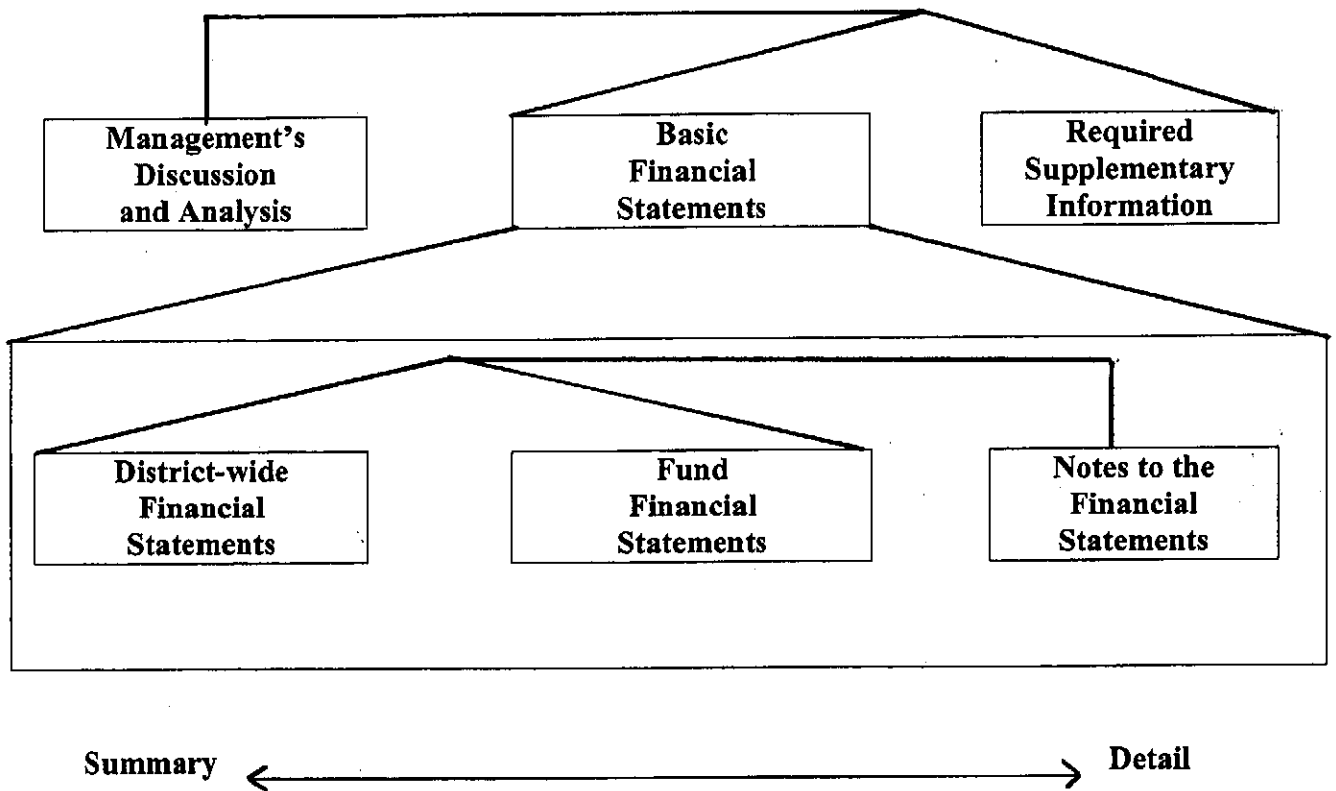


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Trust Funds.

- Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$3,719,611	\$3,479,935	\$84,564	\$85,577	\$3,804,175	\$3,565,512	\$238,663
Capital assets	705,843	654,765	7,555	8,060	713,398	662,825	50,573
Total assets	\$4,425,454	\$4,134,700	\$92,119	\$93,637	\$4,517,573	\$4,228,337	\$289,236
Long-term liabilities	\$386,563	\$266,226	\$-	\$-	\$386,563	\$266,226	\$120,337
Other liabilities	1,944,166	1,734,673	3,772	3,066	1,947,938	1,737,739	210,199
Total liabilities	\$2,330,729	\$2,000,899	\$3,772	\$3,066	\$2,334,501	\$2,003,965	\$330,536
Net assets:							
Invested in capital assets, net of related debt	\$705,843	\$654,765	\$7,555	\$8,060	\$713,398	\$662,825	\$50,573
Restricted	45,469	36,732	-	-	45,469	36,732	8,737
Unrestricted	1,343,413	1,442,304	80,792	82,511	1,424,205	1,524,815	-100,610
Total net assets	\$2,094,725	\$2,133,801	\$88,347	\$90,571	\$2,183,072	\$2,224,372	\$-41,300

The District's combined net assets decreased by nearly 1.9%, or \$41,300, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$8,737, or 19.2% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$100,610, or 6.6%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$1,191,649	\$134,218	\$1,325,867
Operating grants, contributions and restricted interest	510,919	102,707	613,626
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,838,760	-	1,838,760
Local option sales and service tax	325,281	-	325,281
Unrestricted state grants	2,214,767	-	2,214,767
Unrestricted investment earnings	78,219	2,844	81,063
Other	4,641	-	4,641
Total revenues	\$6,164,236	\$239,769	\$6,404,005
Program expenses:			
Governmental activities:			
Instruction	\$4,539,648	\$-	\$4,539,648
Support services	1,462,133	-	1,462,133
Non-instructional programs	-	241,993	241,993
Other expenses	202,111	-	202,111
Total expenses	\$6,203,892	\$241,993	\$6,445,885
Change in net assets	-\$39,656	-\$2,224	-\$41,880

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,164,236 and expenses were \$6,203,892. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$4,539,648	\$2,896,182
Support Services	1,462,133	1,403,031
Non-instructional programs	-	-
Other expenses	202,111	202,111
Totals	\$6,203,892	\$4,501,324

- The cost financed by users of the District's programs was \$1,325,867.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$613,626.
- The net cost of governmental activities was financed with \$2,164,041 in property and other taxes and \$2,214,767 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$239,769 and expenses were \$241,993. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Sumner Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,775,568, above last year's ending fund balances of \$1,745,404.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,313,136 to \$1,204,301.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets decreased from \$90,571 at June 30, 2005 to \$88,347 at June 30, 2006, representing a decrease of approximately 2.5%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$220,330 more than budgeted receipts, a variance of 9.3%. The most significant variance resulted from the District receiving more in local taxes.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$713,398, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$155,150.

The original cost of the District's capital assets was \$5,286,574. Governmental funds account for \$5,262,546, with the remainder of \$24,028 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$3,261	\$3,261	\$-	\$-	\$3,261	\$3,261	\$-
Buildings	373,548	354,485	-	-	373,548	354,485	19,063
Improvements other than buildings	20,082	10,842	-	-	20,082	10,842	9,240
Furniture and equipment	308,952	286,177	7,555	8,060	316,507	294,237	22,270
Totals	\$705,843	\$654,765	\$7,555	\$8,060	\$713,398	\$662,825	\$50,573

### Long-Term Debt

At June 30, 2006, the District had \$386,563 in general obligation and other long-term debt outstanding. This represents an increase of 31.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
Notes payable EPA	\$14,119	\$17,769	-\$3,650
Early retirement	372,444	248,457	123,987
Totals	\$386,563	\$266,226	\$120,337

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bev Weidemann, District Secretary and Business Manager, Sumner Community School District, 802 West 6<sup>th</sup> Street, P.O. Box 178, Sumner IA 50674-0178.

## **Basic Financial Statements**

## Sumner Community School District

## Statement of Net Assets

June 30, 2006

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
Other	\$ 1,749,723	\$ 73,901	\$ 1,823,624
Receivables:			
Property tax:			
Delinquent	22,789	-	22,789
Succeeding year	1,897,421	-	1,897,421
Accounts	1,027	269	1,296
Due from other governments	48,651	-	48,651
Inventories	-	10,394	10,394
Capital assets, net of accumulated depreciation	705,843	7,555	713,398
<b>Total Assets</b>	<b>\$ 4,425,454</b>	<b>\$ 92,119</b>	<b>\$ 4,517,573</b>
<b>Liabilities</b>			
Excess of warrants over bank balance	\$ 10,126	\$ -	\$ 10,126
Accounts payable	36,496	600	37,096
Accrued interest payable	123	-	123
Deferred revenue-succeeding year property tax	1,897,421	-	1,897,421
Deferred revenue-other	-	3,172	3,172
Long-term liabilities:			
Portion due within one year:			
Notes payable	3,650	-	3,650
Early retirement	57,695	-	57,695
Portion due after one year:			
Notes payable	10,469	-	10,469
Early retirement	314,749	-	314,749
<b>Total Liabilities</b>	<b>\$ 2,330,729</b>	<b>\$ 3,772</b>	<b>\$ 2,334,501</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 705,843	\$ 7,555	\$ 713,398
Restricted for:			
Other special revenue purposes	45,469	-	45,469
Unrestricted	1,343,413	80,792	1,424,205
<b>Total Net Assets</b>	<b>\$ 2,094,725</b>	<b>\$ 88,347</b>	<b>\$ 2,183,072</b>

**Sumner Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Program Revenues			
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Expenses				
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,337,704	\$ 870,433	\$ 383,288	\$ -
Special instruction	532,899	42,226	111,569	-
Other instruction	669,045	219,888	16,062	-
	<u>\$ 4,539,648</u>	<u>\$ 1,132,547</u>	<u>\$ 510,919</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 104,834	\$ -	\$ -	\$ -
Instructional staff services	78,312	-	-	-
Administration services	490,700	51,286	-	-
Operation and maintenance of plant services	544,276	-	-	-
Transportation services	244,011	7,816	-	-
	<u>\$ 1,462,133</u>	<u>\$ 59,102</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 13,393	\$ -	\$ -	\$ -
Long-term debt interest	1,481	-	-	-
AEA flow-through	187,237	-	-	-
	<u>\$ 202,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	\$ 6,203,892	\$ 1,191,649	\$ 510,919	\$ -
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	241,993	134,218	102,707	-
Total	\$ 6,445,885	\$ 1,325,867	\$ 613,626	\$ -



Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total	
\$	-2,083,983	\$	-	\$	-2,083,983
	-379,104		-		-379,104
	-433,095		-		-433,095
\$	-2,896,182	\$	-	\$	-2,896,182
<hr/>					
\$	-104,834	\$	-	\$	-104,834
	-78,312		-		-78,312
	-439,414		-		-439,414
	-544,276		-		-544,276
	-236,195		-		-236,195
\$	-1,403,031	\$	-	\$	-1,403,031
<hr/>					
\$	-13,393	\$	-	\$	-13,393
	-1,481		-		-1,481
	-187,237		-		-187,237
\$	-202,111	\$	-	\$	-202,111
<hr/>					
\$	-4,501,324	\$	-	\$	-4,501,324
<hr/>					
	-		-5,068		-5,068
<hr/>					
\$	-4,501,324	\$	-5,068	\$	-4,506,392

**Sumner Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

**General Revenues:**

Property Tax Levied For:  
    General purposes  
    Capital outlay  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net assets before other sources

Other Sources:

    Sale of materials

Change in net assets

Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue  
And Changes in Net Assets

---

Governmental Activities	Business Type Activities	Total
\$ 1,786,012	\$ -	\$ 1,786,012
52,748	-	52,748
325,281	-	325,281
2,214,767	-	2,214,767
78,219	2,844	81,063
4,641	-	4,641
<hr/>		
\$ 4,461,668	\$ 2,844	\$ 4,464,512
<hr/>		
\$ -39,656	\$ -2,224	\$ -41,880
580	-	580
<hr/>		
\$ -39,076	\$ -2,224	\$ -41,300
2,133,801	90,571	2,224,372
<hr/>		
\$ 2,094,725	\$ 88,347	\$ 2,183,072
<hr/>		

## Sumner Community School District

Balance Sheet  
Governmental Funds

June 30, 2006

	General	Management Levy	Capital Projects	Non-major Special Revenue	Total
<b>Assets</b>					
Cash and Pooled Investments:					
Other	\$ 1,196,508	\$ -	\$ 425,397	\$ 127,818	\$ 1,749,723
Receivables:					
Property Tax:					
Delinquent	20,499	1,575	-	715	22,789
Succeeding year	1,664,417	173,000	-	60,004	1,897,421
Accounts	682	345	-	-	1,027
Due from other governments	22,486	-	26,165	-	48,651
<b>Total Assets</b>	<b>\$ 2,904,592</b>	<b>\$ 174,920</b>	<b>\$ 451,562</b>	<b>\$ 188,537</b>	<b>\$ 3,719,611</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Excess of warrants over bank balance	\$ -	\$ 10,126	\$ -	\$ -	\$ 10,126
Accounts payable	35,874	-	-	622	36,496
Deferred Revenue:					
Succeeding year property tax	1,664,417	173,000	-	60,004	1,897,421
Total Liabilities	\$ 1,700,291	\$ 183,126	\$ -	\$ 60,626	\$ 1,944,043
Fund Balances:					
Reserved	\$ 45,469	\$ -	\$ -	\$ -	\$ 45,469
Unreserved	1,158,832	-8,206	451,562	127,911	1,730,099
Total Fund Balances	\$ 1,204,301	\$ -8,206	\$ 451,562	\$ 127,911	\$ 1,775,568
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,904,592</b>	<b>\$ 174,920</b>	<b>\$ 451,562</b>	<b>\$ 188,537</b>	<b>\$ 3,719,611</b>

## Sumner Community School District

**Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets**

**June 30, 2006**

<b>Total fund balances of governmental funds (page 15)</b>	\$ 1,775,568
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	705,843
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-123
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-386,563</u>
<b>Net assets of governmental activities (page 12)</b>	<u>\$ 2,094,725</u>

## Sumner Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2006

	General	Management Levy	Capital Projects	Non- Major Special Revenue	Total
<b>Revenues:</b>					
Local Sources:					
Local tax	\$ 1,670,088	\$ 115,924	\$ 325,281	\$ 52,748	\$ 2,164,041
Tuition	634,134	-	-	-	634,134
Other	400,962	4,813	13,619	220,981	640,375
Intermediate sources	-	-	-	-	-
State sources	2,568,233	79	-	36	2,568,348
Federal sources	157,338	-	-	-	157,338
Total Revenues	\$ 5,430,755	\$ 120,816	\$ 338,900	\$ 273,765	\$ 6,164,236
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	\$ 3,014,788	\$ 112,486	\$ -	\$ -	\$ 3,127,274
Special instruction	532,899	-	-	-	532,899
Other instruction	474,717	-	-	208,708	683,425
	\$ 4,022,404	\$ 112,486	\$ -	\$ 208,708	\$ 4,343,598
Support Services:					
Student services	\$ 104,834	\$ -	\$ -	\$ -	\$ 104,834
Instructional staff services	78,312	-	-	-	78,312
Administration services	461,277	5,324	12,731	-	479,332
Operation and maintenance of plant services	492,618	39,240	-	4,500	536,358
Transportation services	188,338	13,020	17,000	55,295	273,653
	\$ 1,325,379	\$ 57,584	\$ 29,731	\$ 59,795	\$ 1,472,489
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 126,178	\$ -	\$ 126,178
Long-Term Debt:					
Principal	-	-	-	3,650	3,650
Interest and fiscal charges	-	-	-	1,500	1,500
AEA flow-through	187,237	-	-	-	187,237
	\$ 187,237	\$ -	\$ 126,178	\$ 5,150	\$ 318,565
Total Expenditures	\$ 5,535,020	\$ 170,070	\$ 155,909	\$ 273,653	\$ 6,134,652
Excess (deficiency) of revenues over (under) expenditures	\$ -104,265	\$ -49,254	\$ 182,991	\$ 112	\$ 29,584
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	\$ -	\$ -	\$ -	\$ 5,150	\$ 5,150
Operating transfers out	-5,150	-	-	-	-5,150
Sale of materials	580	-	-	-	580
Total Other Financing Sources (Uses)	\$ -4,570	\$ -	\$ -	\$ 5,150	\$ 580
Net change in fund balances	\$ -108,835	\$ -49,254	\$ 182,991	\$ 5,262	\$ 30,164
Fund balances beginning of year	1,313,136	41,048	268,571	122,649	1,745,404
Fund Balances End of Year	\$ 1,204,301	\$ -8,206	\$ 451,562	\$ 127,911	\$ 1,775,568
See notes to financial statements.					

## Sumner Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2006**

**Net change in fund balances – total governmental funds (page 17)** \$ 30,164

***Amounts reported for governmental activities in the Statement of Activities are  
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 206,228	
Depreciation expense	<u>-155,150</u>	51,078

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	3,650
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 46,378	
New retirements	<u>-170,365</u>	-123,987

**Change in Net Assets of Governmental Activities (page 14)** \$ -39,076

## Sumner Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2006

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 73,901
Accounts receivable	269
Inventories	10,394
Capital assets, net of accumulated depreciation	7,555
<b>Total Assets</b>	<u>\$ 92,119</u>
<b>Liabilities</b>	
Accounts payable	\$ 600
Deferred revenue	3,172
<b>Total Liabilities</b>	<u>\$ 3,772</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 7,555
Unrestricted	80,792
<b>Total Net Assets</b>	<u>\$ 88,347</u>



**Sumner Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**June 30, 2006**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 134,218
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 83,054
Benefits	10,248
Purchased services	1,768
Supplies	143,221
Depreciation	2,002
Other	1,700
Total operating expenses	\$ 241,993
Operating loss	\$ -107,775
Non-operating revenues:	
State sources	\$ 3,272
Federal sources	99,435
Interest income	2,844
Total non-operating revenues	\$ 105,551
Change in net assets	\$ -2,224
Net assets beginning of year	90,571
Net Assets End of Year	\$ 88,347

## Sumner Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 134,491
Cash paid to employees for services	-93,301
Cash paid to suppliers for goods or services	-122,541
Net cash used by operating activities	<u>\$ -81,351</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,060
Federal grants received	78,703
Net cash provided by non-capital financing activities	<u>\$ 81,763</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 2,844</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -1,497</u>
Net increase in cash and cash equivalents	\$ 1,759
Cash and cash equivalents beginning of year	<u>72,142</u>
Cash and Cash Equivalents End of Year	<u>\$ 73,901</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -107,775
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	23,051
Depreciation	2,002
Decrease in inventories	431
Decrease in accounts receivable	235
Increase in accounts payable	600
Increase in deferred revenue	<u>105</u>
Net Cash Used by Operating Activities	<u>\$ -81,351</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received \$20,732 of federal commodities.

**Sumner Community School District**

**Statement of Fiduciary Net Assets  
Fiduciary Funds**

**Year Ended June 30, 2006**

	Trusts	
	Non-Expendable	Expendable
<b>Assets</b>		
Cash and pooled investments	\$ 353,711	\$ 2,568
Accrued interest receivable	242	-
<b>Total Assets</b>	<b>\$ 353,953</b>	<b>\$ 2,568</b>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
<b>Net assets</b>		
Unreserved for scholarships	\$ 353,953	\$ 2,568

**Sumner Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2006**

	Trusts	
	Non-Expendable	Expendable
Additions:		
Local sources:		
Gifts and contributions	\$ -	\$ 200
Interest income	10,780	100
Gain on investments	15,148	-
Total additions	<u>\$ 25,928</u>	<u>\$ 300</u>
Deductions:		
Instruction:		
Regular Instruction:		
Scholarships awarded	\$ 20,100	\$ 400
Other	2,932	-
Total Deductions	<u>\$ 23,032</u>	<u>\$ 400</u>
Change in net assets	\$ 2,896	\$ -100
Net assets beginning of year	<u>351,057</u>	<u>2,668</u>
Net Assets End of Year	<u>\$ 353,953</u>	<u>\$ 2,568</u>

## Sumner Community School District

### Notes to Financial Statements

June 30, 2006

#### (1) Summary of Significant Accounting Policies

Sumner Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sumner, Iowa and portions of the predominately agricultural territories in Chickasaw, Fayette and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Sumner Community School District and the Fredericksburg Community School District have entered into a whole grade sharing agreement.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Sumner Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Sumner Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Fund is used to account for all resources used for early retirement and property and liability insurance obligations.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Inventories** – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

**Salaries and Benefits Payable** – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**Long-term Liabilities** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

**Fund Equity** – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Restricted Net Assets** – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.



(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General Fund	\$ 5,150

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,261	\$ -	\$ -	\$ 3,261
Total capital assets not being depreciated	\$ 3,261	\$ -	\$ -	\$ 3,261
Capital assets being depreciated:				
Buildings	\$ 2,332,647	\$ 55,327	\$ -	\$ 2,387,974
Improvements other than buildings	12,325	9,940	-	22,265
Furniture and equipment	2,770,641	140,961	62,556	2,849,046
Total capital assets being depreciated	\$ 5,115,613	\$ 206,228	\$ 62,556	\$ 5,259,285
Less accumulated depreciation for:				
Buildings	\$ 1,978,162	\$ 36,264	\$ -	\$ 2,014,426
Improvements other than buildings	1,483	700	-	2,183
Furniture and equipment	2,484,464	118,186	62,556	2,540,094
Total accumulated depreciation	\$ 4,464,109	\$ 155,150	\$ 62,556	\$ 4,556,703
Total capital assets being depreciated, net	\$ 651,504	\$ 51,078	\$ -	\$ 702,582
Governmental Activities Capital Assets, Net	\$ 654,765	\$ 51,078	\$ -	\$ 705,843

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 27,221	\$ 1,497	\$ 4,690	\$ 24,028
Less accumulated depreciation	19,161	2,002	4,690	16,473
<b>Business Type Activities Capital Assets, Net</b>	<b>\$ 8,060</b>	<b>\$ -505</b>	<b>\$ -</b>	<b>\$ 7,555</b>

Depreciation expense was charged to the following functions:

**Governmental Activities:**

Instruction:

Regular

\$ 93,114

Other

2,274

Support services:

Administration

11,368

Operation and maintenance of plant

12,418

Transportation

35,976

\$ 155,150

Unallocated

-

Total Depreciation Expense – Governmental Activities

\$ 155,150

**Business Type Activities:**

Food service operations

\$ 2,002

**(5) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
EPA note	\$ 17,769	\$ -	\$ 3,650	\$ 14,119	\$ 3,650
Early retirement	248,457	170,365	46,378	372,444	57,695
<b>Total</b>	<b>\$ 266,226</b>	<b>\$ 170,365</b>	<b>\$ 50,028</b>	<b>\$ 386,563</b>	<b>\$ 61,345</b>

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2006 totaled \$93,617. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liability section representing the District's commitment to fund non-current early retirement, which consist of health insurance premiums at various current rates of \$222.70 to \$520.04 per month for a total of \$372,444 at June 30, 2006.

### Note Payable – EPA

On May 4, 1990, the District entered into an EPA Assistance Agreement with the U.S. Environmental Protection Agency for the removal of asbestos from structures owned by the District. The total amount awarded to the District was \$174,565, of which \$81,871 was to be grant funds and \$92,694 was to be loan funds. On May 22, 1990, the District signed a non-interest bearing promissory note for \$105,206. This note was amended to \$92,694 on October 25, 1991. Repayment of the loan is done in semi-annual installments, which began May 30, 1992 and are in the amount of 1/36<sup>th</sup> of the total amount of the loan. A first payment of \$2,922 was made in May of 1992 (\$105,206 divided by 36). The remaining 35 payments are to be \$2,575 each (\$92,694 minus \$2,922 divided by 35). The minimum total payments for each succeeding year are as follows:

Year Ending June 30,	Total
2007	\$ 5,150
2008	5,150
2009	5,150
2010	2,569
	<hr/>
	\$ 18,019
Less: imputed interest	3,900
Total	<hr/>
	\$ 14,119

### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$168,517, \$151,970, and \$149,220, respectively, equal to the required contributions for each year.

### **(7) Risk Management**

Sumner Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$187,237 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **(9) Commitments**

The District entered into a contract for a roof project in the amount of \$50,500, of which \$10,100 was not completed at June 30, 2006.

## **Required Supplementary Information**

**Sumner Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2006**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,447,895	\$ 137,335
Intermediate sources	-	-
State sources	2,568,348	3,060
Federal sources	156,693	78,703
Total Receipts	\$ 6,172,936	\$ 219,098
Disbursements:		
Instruction	\$ 4,326,540	\$ -
Support services	1,472,489	-
Non-instructional programs	-	217,339
Other expenditures	321,561	-
Total Disbursements	\$ 6,120,590	\$ 217,339
Excess (deficiency) of receipts over (under) disbursements	\$ 52,346	\$ 1,759
Other financing sources, net	580	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 52,926	\$ 1,759
Balances beginning of year	1,689,239	72,142
Balances End of Year	\$ 1,742,165	\$ 73,901

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Budgeted To Actual Variance
\$	3,585,230	\$ 3,250,733	\$ 334,497
	-	-	-
	2,571,408	2,545,971	25,437
	235,396	375,000	-139,604
\$	6,392,034	\$ 6,171,704	\$ 220,330
\$	4,326,540	\$ 4,996,570	\$ 670,030
	1,472,489	1,565,000	92,511
	217,339	469,434	252,095
	321,561	692,308	370,747
\$	6,337,929	\$ 7,723,312	\$ 1,385,383
\$	54,105	\$ -1,551,608	\$ 1,605,713
	580	6,000	-5,420
\$	54,685	\$ 1,545,608	\$ 1,600,293
	1,761,381	1,890,060	-128,679
\$	1,816,066	\$ 344,452	\$ 1,471,614

**Sumner Community School District**

**Budgetary Comparison Schedule – Budget to GAAP Reconciliation**

**Required Supplementary Information**

**Year Ended June 30, 2006**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,172,936	\$ -8,400	\$ 6,164,536
Expenditures	6,120,590	14,462	6,135,052
Net	\$ 52,346	\$ -22,862	\$ 29,484
Other financing sources, net	580	-	580
Beginning fund balances	1,689,239	58,833	1,748,072
Ending Fund Balances	\$ 1,742,165	\$ 35,971	\$ 1,778,136

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 219,098	\$ 20,671	\$ 239,769
Expenses	217,339	24,654	241,993
Net	\$ 1,759	\$ -3,983	\$ -2,224
Beginning net assets	72,142	18,429	90,571
Ending Net Assets	\$ 73,901	\$ 14,446	\$ 88,347

**Sumner Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2006**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Non-Expendable Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



### **Other Supplementary Information**

## Sumner Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2006

	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
<b>Assets</b>				
Cash and pooled investments	\$ 121,788	\$ 288	\$ 5,742	\$ 127,818
Receivables:				
Property Tax:				
Delinquent	-	715	-	715
Succeeding year	-	54,854	5,150	60,004
<b>Total Assets</b>	<b>\$ 121,788</b>	<b>\$ 55,857</b>	<b>\$ 10,892</b>	<b>\$ 188,537</b>
<b>Liabilities &amp; Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 622	\$ -	\$ -	\$ 622
Deferred revenue:				
Succeeding year property tax	-	54,854	5,150	60,004
Total Liabilities	\$ 622	\$ 54,854	\$ 5,150	\$ 60,626
Fund Equity:				
Unreserved fund balances	121,166	1,003	5,742	127,911
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 121,788</b>	<b>\$ 55,857</b>	<b>\$ 10,892</b>	<b>\$ 188,537</b>

## Sumner Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds**

Year Ended June 30, 2006

	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 52,748	\$ -	\$ 52,748
Other	220,745	1	235	220,981
State sources	-	36	-	36
Total Revenues	\$ 220,745	\$ 52,785	\$ 235	\$ 273,765
Expenditures:				
Current:				
Instruction:				
Other instruction	\$ 208,708	\$ -	\$ -	\$ 208,708
Support Services:				
Operation & maintenance of plant services	-	4,500	-	4,500
Transportation services	6,677	48,618	-	55,295
Other Expenditures:				
Long-Term Debt:				
Principal	-	-	3,650	3,650
Interest and fiscal charges	-	-	1,500	1,500
Total Expenditures	\$ 215,385	\$ 53,118	\$ 5,150	\$ 273,653
Excess (deficiency) of revenues over (under) expenditures	\$ 5,360	\$ -333	\$ -4,915	\$ 112
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ -	\$ 5,150	\$ 5,150
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ 5,360	\$ -333	\$ 235	\$ 5,262
Fund balances beginning of year	115,806	1,336	5,507	122,649
Fund Balances End of Year	\$ 121,166	\$ 1,003	\$ 5,742	\$ 127,911

## Sumner Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues And Inter-fund Transfers	Expenditures	Balance End of Year
Annual	\$ 5,661	\$ 13,898	\$ 12,744	\$ 6,815
Senior High Athletics	17,371	65,899	57,369	25,901
Class of 2004	247	-	247	-
Class of 2005	941	-	-	941
Class of 2006	2,744	1,657	4,388	13
Class of 2007	2,458	11,388	12,159	1,687
Class of 2008	2,301	1,502	653	3,150
Class of 2009	361	822	650	533
Class of 2010	130	-	-	130
Dramatics	769	1,333	811	1,291
Durant D.O.O.R.S.	15,176	18,375	12,970	20,581
Durant Activities	2,255	1,138	735	2,658
Future Farmers of America	2,963	22,246	18,889	6,320
Future Homemakers of America – Senior High	32	2,870	2,384	518
General	638	6,641	5,919	1,360
Instrumental Music	2,954	23,455	19,631	6,778
Senior High Activities	344	4,532	4,654	222
Get a Grip	392	2,167	1,179	1,380
National Honor Society	181	885	475	591
RIF	694	430	457	667
Spanish Fundraising	2,154	2,501	2,077	2,578
Special Olympics	521	-	-	521
Student Senate-Senior High	690	5,494	4,816	1,368
Sumner Booster Club	14,299	18,384	13,357	19,326
Vocal Music	7,505	25,212	16,880	15,837
New School Fund	32,025	-10,084	21,941	-
Total	\$ 115,806	\$ 220,745	\$ 215,385	\$ 121,166

## Sumner Community School District

Combining Balance Sheet  
Non-Expendable Trust Funds

June 30, 2006

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmency Scholarship	Michael Buhr Scholarship	Total
<b>Assets</b>					
Cash	\$ 1,422	\$ 1,527	\$ 9,326	\$ 25,563	\$ 37,838
Investments	315,873	-	-	-	315,873
Accrued interest receivable	-	-	-	242	242
<b>Total Assets</b>	<b>\$ 317,295</b>	<b>\$ 1,527</b>	<b>\$ 9,326</b>	<b>\$ 25,805</b>	<b>\$ 353,953</b>
<b>Liabilities and Fund Equity</b>					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund equity:					
Fund Balances:					
Unreserved, undesignated	317,295	1,527	9,326	25,805	353,953
<b>Total Liabilities and Fund Equity</b>	<b>\$ 317,295</b>	<b>\$ 1,527</b>	<b>\$ 9,326</b>	<b>\$ 25,805</b>	<b>\$ 353,953</b>

## Sumner Community School District

Combining Balance Sheet  
Expendable Trust Funds

June 30, 2006

	Boehm- Kooper Scholarship
<b>Assets</b>	
Cash	\$ 2,568
<b>Total Assets</b>	<u>\$ 2,568</u>
<b>Liabilities and Fund Equity</b>	
Liabilities	\$ -
Fund Equity:	
Fund Balances:	
Unreserved, undesignated	<u>2,568</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 2,568</u>

## Sumner Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Non-Expendable Trust Funds

Year Ended June 30, 2006

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmeny Scholarship	Michael Buhr Scholarship	Total
Revenues:					
Local Sources:					
Interest on investments	\$ 9,126	\$ 60	\$ 372	\$ 1,222	\$ 10,780
Gain on investments	15,148	-	-	-	15,148
Total Revenues	\$ 24,274	\$ 60	\$ 372	\$ 1,222	\$ 25,928
Expenditures:					
Instruction:					
Regular Instruction:					
Scholarships	\$ 18,800	\$ 250	\$ 250	\$ 800	\$ 20,100
Other	2,932	-	-	-	2,932
Total Expenditures	\$ 21,732	\$ 250	\$ 250	\$ 800	\$ 23,032
Excess (deficiency) of revenues over (under) expenditures	\$ 2,542	\$ -190	\$ 122	\$ 422	\$ 2,896
Fund balances beginning of year	314,753	1,717	9,204	25,383	351,057
Fund Balances End of Year	\$ 317,295	\$ 1,527	\$ 9,326	\$ 25,805	\$ 353,953

## Sumner Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Expendable Trust Funds

Year Ended June 30, 2006

	Boehm- Kooper Scholarship
Revenues:	
Local Sources:	
Interest on investments	\$ 100
Contributions	200
Total Revenues	<u>\$ 300</u>
Expenditures:	
Instruction:	
Regular Instruction:	
Scholarships	<u>\$ 400</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -100
Fund balances beginning of year	<u>2,668</u>
Fund Balances End of Year	<u>\$ 2,568</u>



## Sumner Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

## For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local Sources:				
Local tax	\$ 2,164,041	\$ 1,930,846	\$ 2,265,510	\$ 2,295,180
Tuition	634,134	880,670	92,712	64,903
Other	640,375	677,495	425,685	336,235
Intermediate sources	-	-	-	-
State sources	2,568,348	2,487,815	2,329,940	2,365,933
Federal sources	157,338	158,224	187,912	189,923
Total	\$ 6,164,236	\$ 6,135,050	\$ 5,301,759	\$ 5,252,174
Expenditures:				
Instruction:				
Regular instruction	\$ 3,127,274	\$ 2,951,053	\$ 2,234,590	\$ 2,111,978
Special instruction	532,899	540,067	727,572	680,142
Other instruction	683,425	787,337	462,787	429,062
Support services:				
Student services	104,834	93,681	84,280	89,750
Instructional staff services	78,312	89,416	65,738	68,117
Administrative services	479,332	491,477	437,929	410,250
Operation and maintenance of plant services	536,358	603,205	589,771	472,193
Transportation services	273,653	204,611	144,118	194,013
Other expenditures:				
Facilities acquisition	126,178	41,006	7,750	534
Long-term debt:				
Principal	5,150	35,150	35,150	35,150
Interest and other charges	-	2,100	4,200	6,270
AEA flow-through	187,237	186,960	188,375	200,146
Total	\$ 6,134,652	\$ 6,026,063	\$ 4,982,260	\$ 4,697,605

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Sumner Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sumner Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated August 8, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Sumner Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

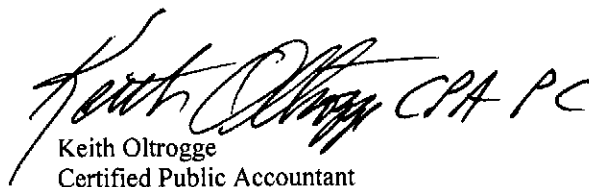
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sumner Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sumner Community School District and other parties to whom Sumner Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Sumner Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 CPA PC  
Keith Oltrogge  
Certified Public Accountant

August 8, 2006

**Sumner Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

No matters were reported.

**Sumner Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

**Part II - Other Findings Related to Statutory Reporting:**

II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed the certified budget amounts.

II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Stan Koester, Employee Owner Stan's Small Engine Repair	Repairs	\$1,531

In accordance with an Attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.